

GOSPORT BOROUGH COUNCIL

BUDGET MONITOR

JULY 2017

SUMMARY OF REPORT AND RECOMMENDATIONS

To report to members on forecast expenditure compared to the latest budget for 2017/18 and to note related issues.

Recommendations

This report is for information only.

1.0 PURPOSE OF REPORT

1.1 This is the first Budget Monitor to be issued for 2017/18.

1.2 **Material issues identified in the report are:**

- o **General Fund revenue account – estimated additional costs £594,780 (section 4 and Appendix B) arising mainly from the carry forward of underspends from last financial year (£299,150) which is therefore financially neutral to the Council and making a contribution towards a successful funding bid for a masterplan survey for Daedalus Waterfront (£173,000) which levered in an equal amount of external funding**
- o **Housing Revenue Account – no presently identified variations (section 5)**
- o **Capital Programme – summary attached (section 6 and Appendix C)**

2.0 BACKGROUND

2.1 This monitor reports and comments on variances against the original budget approved by Council on 8 February 2017 and provides an early indication of any issues arising.

2.2 The draft Statement of Accounts for 2016/17 was completed on schedule by 30 June and the external audit is taking place from 19 June 2017.

2.3 The Council's external auditors, Ernst and Young, will present their governance report firstly to Standards and Governance Committee on 13 September 2017 and secondly to P&O Board on 27 September 2017.

2.4 Officers will formally report on, and seek member approval of, the final accounts for 2016/17 at P&O Board on 27 September 2017 prior to publication by 30 September 2017.

2.5 The annual budget process for 2018/19 will commence shortly and the Capital Programme will be considered by P&O Board in September, followed

by Council in October where the Fees and Charges for 2018 will also be considered.

- 2.6 The Council's Budget Report for 2017/18 included both the revenue and capital budgets as well as an updated Medium Term Financial Projection with savings forecasts for future years.

3.0 DEVELOPMENTS IN 2017/18

3.1 Shared Management with Portsmouth City Council

On 08 June 2016, the Council approved to jointly share senior management with Portsmouth City Council to provide ongoing annual savings to both authorities and a basis for achieving further savings in the future through closer and more collaborative working.

The review of all services, to ensure that they are delivered as effectively and efficiently as possible, is ongoing. This is a continuous process with both the General Fund and Housing Revenue Account sharing in any initial costs and resulting ongoing savings and efficiencies

The latest position will be included in the budget for 2018/19.

3.2 The General Election and Brexit

The Local Government Finance Bill is now not being progressed by the government due to the legislative requirements relating to Brexit – this effectively means that devolved business rates will not happen, at least on the previously published timescales.

The government's fair funding review is, however, continuing

Business Rate income in the Council's forward projections comes with considerable uncertainty as many factors are presently outside of the Council's control.

3.4 Housing and Planning Act 2016

The act contained a number of initiatives affecting the HRA, most notably is the sale of high value void properties to meet the levy payment to the government that is required to fund the extension of the right to buy initiative to Housing Associations. The former was not mentioned in the Conservative election manifesto and more detail is awaited on both issues to inform the financial impact on the HRA.

4.0 GENERAL FUND

REVENUE BUDGET

- 4.1 The Council's net revenue budget of £10,876,940 was approved by Council on 08 February 2017 with Band D Council Tax being set at £212.81.

- 4.2 Revenue budgets totalling £299,150 have been carried forward from 2016/17 into 2017/18 and whilst this represents additional spending compared to the original budget, it is financially neutral to the Council overall as these sums were underspent in 2016/17.
- 4.3 An examination of the revenue budgets at this early stage of the year has indicated the material variations listed in Appendix B, totalling £295.630.
- 4.4 Appendix A summarises the overall General Fund budget including the main revenue reserves, this shows additional spending of £594,780 comprising the carried forward budgets and variations at 4.2 and 4.3 – both of which are set out in Appendix B.

RESERVES

- 4.5 The current level of revenue reserves is considered adequate, but it is essential that they are maintained in order to safeguard the Council's position
- The General Fund Balance is the statutory fund for the day to day operation of the Council and is being maintained at its current level of £890,000.
 - The Revenue Financing Reserve (RFR) is a general reserve particularly targeted at funding further spend to save initiatives, evening out annual maintenance fluctuations and funding uninsured risks.
 - The Stability and Resilience Reserve covers the risks and volatility inherent in the Business Rate Retention and Local Council Tax Support Schemes and the uncertainty of future levels Revenue Support Grant.

5.0 HOUSING REVENUE ACCOUNT (HRA)

REVENUE BUDGET AND RESERVES

- 5.1 There are no material variances to report to date on the HRA which is included at Appendix A

6.0 CAPITAL PROGRAMME

- 6.1 The capital programme for 2017/18 was approved by Council on 08 February 2017. An update is included at Appendix C which shows the latest budget position, including slippage from 2016/17 and expenditure to date.
- 6.2 The programme schemes for this year will shortly be reviewed and an updated capital programme, including proposed schemes, for 2018/19 and beyond will be brought to Policy and Organisation Board in September and then Council in October.

7.0 WRITE OFFS

- 7.1 Under Financial Regulations, the Borough Treasurer has delegated authority to approve write offs up to £20,000. These are summarised in Appendix D which includes 2016/17 for comparison. There are no delegated write offs to June.

8.0 RISK ASSESSMENT

- 8.1 The Council's budget report for 2017/18 included a detailed commentary on risks.
- 8.2 Prime concerns include
Business Rate income
The Council Tax Base
The New Homes Bonus
The Council's major income streams
Capacity issues
- 8.3 Budgets are kept under review to identify further savings and efficiencies in order to minimise any effect on council tax levels.

Any questions regarding this monitor or comments on the content and presentation should be directed, in the first instance, to John Norman.

GENERAL FUND	BUDGET 2017/18 £	FORECAST 2017/18 £	VARIANCE £
GENERAL FUND BUDGET			
Community Board	5,368,410	5,668,900	300,490
Economic Development Board	842,030	892,920	50,890
Policy and Organisation Board	3,710,400	3,936,770	226,370
Business Units / Admin	0	17,030	17,030
			0
Total Net Expenditure	9,920,840	10,515,620	594,780
Transfer to/(from) Balances & Reserves			
General Fund Working Balance	-	-	
Revenue Financing Reserve	304,960	(289,820)	(594,780)
Stability and Resilience Reserve	651,140	651,140	0
BUDGET TOTAL	10,876,940	10,876,940	0
FINANCED BY			
Council Tax	(5,675,290)	(5,675,290)	0
Government Grants	(1,842,060)	(1,842,060)	0
Business Rates Retention	(3,359,590)	(3,359,590)	0
	(10,876,940)	(10,876,940)	0
GENERAL FUND - RESERVES	BUDGET 31-Mar-17 £	FORECAST 31-Mar-17 £	VARIANCE £
BALANCES			
General Fund Working Balance			
B/Fwd	(890,000)	(890,000)	0
Change			0
C/Fwd	(890,000)	(890,000)	0
Revenue Financing Reserve			
B/Fwd	(2,559,870)	(3,288,920)	(729,050)
Change	(304,960)	289,820	594,780
C/Fwd	(2,864,830)	(2,999,100)	(134,270)
Stability and Resilience Reserve			
B/Fwd	(1,134,660)	(1,134,660)	0
Change	(651,140)	(651,140)	0
C/Fwd	(1,785,800)	(1,785,800)	0

HOUSING REVENUE ACCOUNT (HRA)		BUDGET 2017/18 £	FORECAST 2017/18 £	VARIANCE £
Net Surplus		(878,000)	(878,000)	0
HRA - RESERVES		BUDGET 31-Mar-17 £	FORECAST 31-Mar-17 £	VARIANCE £
BALANCES				
HRA Balance				
	B/Fwd	(991,000)	(991,740)	(740)
	Change			
	C/Fwd	(991,000)	(991,740)	(740)
Major Repairs, New Build and Loan Repayment Reserve				
	B/Fwd	(2,429,000)	(2,461,930)	(32,930)
	Change	(878,000)	(878,000)	0
	Capital Financing	364,000	364,000	0
	C/Fwd	(2,943,000)	(2,975,930)	(32,930)

MAIN VARIATIONS IN GF REVENUE BUDGETS			
	C/FWDS FROM 16/17	VARIANCES	TOTAL
	£	£	£
LEISURE AND CULTURE			
Revenue budgets carried forward from 2016/17			
1. Open Spaces	57,000		57,000
2. Ancient Monuments	3,440		3,440
3. Play Areas	69,500		69,500
No.2 Battery Diving Museum - match funding for HLF		3,000	3,000
Alverbridge Nursery - delayed start to lease		9,130	9,130
			0
STREETSCENE			
Parking - Traffic Warden contribution (50% of cost)		15,000	15,000
Parking Income - disallowance of VAT on Pay and Display income unders and overs		4,500	4,500
Parking Income - projected shortfall in income		34,870	34,870
			0
COMMUNITY SAFETY			
Revenue budgets carried forward from 2016/17	12,810		12,810
			0
MISC ENVIRONMENTAL AND TRANSPORT			
Revenue budgets carried forward from 2016/17			0
1. Coastal Protection	36,400		36,400
2. Flower & Shrub-Bed Maintenance	30,510		30,510
Highways Grasscutting - budget reinstated following HCC discussions		15,320	15,320
			0
HOMELESSNESS			
Flexible Homelessness Support Grant - additional notified grant		(297,050)	(297,050)
Service expenditure from additional grant income		297,050	297,050
			0
ECONOMIC PROSPERITY			
Revenue budgets carried forward from 2016/17	32,760		32,760
			0
LOCAL DEVELOPMENT FRAMEWORK			
Revenue budgets carried forward from 2016/17	18,130		18,130
			0
LOCAL LAND CHARGES			
Fees and Charges		5,000	5,000
			0
DEVELOPMENT SERVICES			
Professional Fees - new Archeology SLA		6,000	6,000
HMS Daedalus masterplan survey - 50% match funding to Solent LEP		173,000	173,000
			0
P&O MISCELLANEOUS SERVICES			
Revenue budgets carried forward from 2016/17 - Corporate Policy	9,010		9,010
Transport Subsidy - Route 11 on Saturdays (P&O 28/06/17)		3,590	3,590
MRP - final agreement with external auditors		38,780	38,780
			0
SERVICE UNIT (ADMINISTRATION) VARIANCES			
Revenue budgets carried forward from 2016/17			0
1. Human Resources	3,360		3,360
2. Town Hall Landlord	10,920		10,920
3. Housing Benefit BU	10,870		10,870
4. Accountancy BU	4,440		4,440
Net additional savings on salaries etc		(40,000)	(40,000)
Redundancy payments		27,440	27,440
			0
FORECAST UNDERSPENDING	299,150	295,630	594,780

1. The figures in brackets denote an underspending compared to the latest budget

Cost Centre	Item	CAPITAL PROGRAMME 2017/18		Budget 2017/18 £'000	Slippage from 16/17 £'000	Other Changes £'000	Latest 2017/18 £'000	Expenditure 24-Jul-17 £'000	Expenditure Variance £'000	Forecast 2017/18 £'000	Variance 2017/18 £'000	Notes / Comments
6000	1	COMMUNITY BOARD - HOUSING (HRA)										
		LA TENANTS DISABLED PERSONS GRANT		50	0	0	50	0	(50)	50	0	
6001	2	IMPROVEMENTS TO HOUSING STOCK		3,325	0	0	3,325	667	(2,658)	3,325	0	Less circa £1m pa 18/19> (HVs)
6033	3	ST VINCENT ROAD DEVELOPMENT		0	0	0	0	(48)	(48)	0	0	Community 09/04/14 & 15/09/14
6034	4	PURCHASE OF PROPERTIES		520	0	0	520	185	(335)	520	0	34 Prideaux Brune Avenue £184,750 (inc HMRC & works)
				3,895	0	0	3,895	804	(3,091)	3,895	0	
		COMMUNITY BOARD - HOUSING (GF)										
6102	1	DISABLED FACILITIES		617	239	0	856	(239)	(1,095)	856	0	Grant £238,524 b/fwd. 2017/18 grant confirmed at £677,493 (budgeted £617,780)
6103	2	HOUSING RENEWAL		60	0	0	60	1	(59)	60	0	
				677	239	0	916	(238)	(1,154)	916	0	
		COMMUNITY BOARD - NON HOUSING										
6201	1	ALVER VALLEY COUNTRY PARK		0	453	0	453	2	(451)	453	0	Community 09/04/14 & 15/09/14
6299	2	BMX NATIONAL CENTRE ALVER VALLEY		0	147	0	147	4	(143)	147	0	Total scheme cost £302k-Sports England £150k, GBC partnership funding £150k is Eastern Gateway in AV scheme. Contractor appointed, works due to commence September 2017
6203	3	RIVER HAMBLE TO PORTCHESTER CFERM STRATEGY		0	56	0	56	(21)	(77)	56	0	Managed by Coastal Partnership, funded by Environment Agency. Schemes details & projections to follow. Grant received in advance of expenditure
6305	3a	COASTAL - FORTON		0	0	0	0	(18)	(18)	0	0	
6306	3b	COASTAL - ALVERSTOKE		0	0	0	0	(18)	(18)	0	0	
6307	3c	COASTAL -SEAFIELD		0	0	0	0	(19)	(19)	0	0	
6308	3d	COASTAL -HILL HEAD to PH BMP		0	0	0	0	0	0	0	0	
6209	4	CAR PARK RESURFACING & UPGRADING		120	95	0	215	36	(179)	215	0	Includes £80k re Walpole Car Park. Rolling programme. Walpole resurfacing progressing, other locations identified for resurfacing, following completion of Walpole (11/07)
6230	5	PROVIDE LIGHTING TO PATHWAYS WITHIN LEISURE PARKS, GARDENS & OPEN SPACES		144	23	0	167	0	(167)	167	0	
6264	6	PRIVETT PARK - REPLACEMENT 2ND PAVILION & PATHS (THIS SCHEME IS SUBJECT TO BOTH S.106 DEVELOPER CONTRIBUTION AND EQUIVALENT MATCH FUNDING [EACH £350K] BEING IDENTIFIED - THE CAPITAL PROGRAMME FUNDING PROJECTIONS CURRENTLY ASSUME THAT THIS WILL BE THE CASE OR THE SCHEME WILL NOT PROCEED)		700	0	0	700	0	(700)	700	0	Is this scheme still required in the programme?
6214	8	PUBLIC CONVENIENCES REFURBISHMENT		80	80	0	160	(53)	(213)	160	0	Rolling programme. Ongoing work (11/07)

Cost Centre	Item	CAPITAL PROGRAMME 2017/18	Budget 2017/18 £'000	Slippage from 16/17 £'000	Other Changes £'000	Latest 2017/18 £'000	Expenditure 24-Jul-17 £'000	Expenditure Variance £'000	Forecast 2017/18 £'000	Variance 2017/18 £'000	Notes / Comments
6256	9	TRANSFER OF PLAY AREAS AT PRIDDYS HARD	0	7	0	7	7	0	7	0	Complete?
6259	10	PRIVETT PARK PROTECTIVE FENCE	0	2	0	2	0	(2)	2	0	Complete?
6266	11	PLAYGROUNDS - IMPROVEMENTS TO EXISTING FACILITIES	20	18	0	38	0	(38)	38	0	Rolling programme
6286	12	KERBSIDE & GLASS COLLECTION	134	0	0	134	0	(134)	134	0	Is this scheme still required? To be discussed with the Chair of Environment Board upon his return from holiday (11/07)
6263	13	ESSENTIAL PAVING IMPROVEMENTS & UPGRADES	30	40	0	70	0	(70)	70	0	Rolling programme
6274	14	STOKES BAY - WET & DRY PLAY AREA	25	0	0	25	0	(25)	25	0	0
6280	15	STANLEY PARK - PHASED REFURBISHMENT	0	55	0	55	2	(53)	55	0	0
6281	16	RENEW INTERPRETATION BOARDS ACROSS THE BOROUGH	0	31	0	31	0	(31)	31	0	0
6613	17	ICE RINK REFURBISHMENT & IMPROVEMENT	0	62	0	62	0	(62)	62	0	P&O 13/03/13. Works being certified by Parker Torrington prior to payment
6293	18	STOKES BAY GOLF CLUB - DRAINAGE WORKS	0	17	0	17	14	(3)	17	0	0
6294	19	ANN'S HILL CEMETERY WAITING ROOM	0	6	0	6	4	(2)	6	0	Complete?
6295	20	BRIDGEMARY SKATE PARK (TO INCLUDE BMX & SCOOTERS)(SUBJECT TO MATCH FUNDING OF £90K)	0	180	0	180	(40)	(220)	180	0	Is all the £90k external funding now secured?
6296	21	COCKLE POND - WATER CIRCULATION SCHEME	0	100	0	100	0	(100)	100	0	0
6231	22	COCKLE POND - FOOTWAY REPAIRS	100	0	0	100	0	(100)	100	0	0
6297	23	COMMUNITY SPACE MANOR WAY	0	100	0	100	1	(99)	100	0	0
6298	24	PARHAM ROAD - FLOOD MEASURES	0	25	0	25	0	(25)	25	0	0
6292	25	CROWN HOUSE CONVERSION TO FLAT	0	89	0	89	0	(89)	89	0	Currently out to tender, works due for completion Jan/Feb 2018
6301	26	FORTON LAKE OPENING BRIDGE	90	156	0	246	1	(245)	306	60	Predicted approx £60k overspend. Approved to proceed by Chair of Community. Contractor appointed works due to commence September 2017
6303	27	CHILWORTH GROVE FOOTPATH RENEWAL	26	0	0	26	0	(26)	26	0	0
6304	28	ALVERBANK EAST AND WEST CAR PARKS, STOKES BAY ROAD - DRAINAGE UPGRADE	40	0	0	40	0	(40)	40	0	Tender package to be produced by Property (11/07)
6284	29	CAR PARK TICKET MACHINES - PHASED UPGRADE OF ALL MACHINES	33	0	0	33	0	(33)	33	0	Tops of machines only-on existing bases, over 4 years. Rolling programme Awaiting 2 machines for trial wave and pay from Cale (11/07)
see 620	30	WALPOLE CAR PARK RESURFACING AND UPGRADING	0	0	0	0	0	0	0	0	£80k included in 6209, item 4 (£40k+£80k=£120k)
0	31	LEESLAND ROAD PLAY AREA - REFURBISHMENT	0	0	0	0	0	0	0	0	See CSPF for detail. Leader pushed back to 18/19
6302	32	LEISURE CENTRE EXTENSION	1,000	182	0	1,182	0	(1,182)	1,182	0	P&O 21/09/16
6202	0	LANDING STAGE	0	0	0	0	2	2	0	0	Residual costs
6500	0	ST LUKES ROAD - 12TH SCOUTS	0	0	9	9	0	(9)	9	0	ED 21/06/17 - £8,762 of S.106 dvpr conbns to improve OS land for peppercorn lease to 12th Gosport Scout Group

Cost Centre	Item	CAPITAL PROGRAMME 2017/18	Budget 2017/18 £'000	Slippage from 16/17 £'000	Other Changes £'000	Latest 2017/18 £'000	Expenditure 24-Jul-17 £'000	Expenditure Variance £'000	Forecast 2017/18 £'000	Variance 2017/18 £'000	Notes / Comments
			2,542	1,924	9	4,475	(96)	(4,571)	4,535	60	
6605	1	ECONOMIC DEVELOPMENT BOARD WATERFRONT MASTERPLANNING	0	23	0	23	0	(23)	23	0	ED 21/06/17
			0	23	0	23	0	(23)	23	0	
6608	1	POLICY & ORGANISATION BOARD CCTV - REPLACEMENT & UPGRADES	15	31	0	46	(14)	(60)	46	0	£31k c/fwd for spend to save to reduce annual fibre costs. Budget for when economic repair is unviable
6602	2	IT - PC REPLACEMENT PROGRAMME	10	0	0	10	0	(10)	10	0	5K for Replacement thin clients. 5K for replacement laptops
6614	3	IT - SERVER REPLACEMENT	40	24	0	64	0	(64)	64	0	20K VDI server refresh 20k Revs/Ben upgrade 15K Virtual Host 8K Windows Server 2012 replacements
6615	4	IT - MICROSOFT LICENCE	50	0	0	50	0	(50)	50	0	TBC - 35K Annual therefore could consider moving to Revenue (15K savings)
6616	5	IT - SYSTEM UPGRADES	10	0	0	10	7	(3)	33	23	17K for Qmatic Upgrade 16K for Modern.gov implementation.
6603	6	TOWN HALL MAJOR REPAIRS - ELECTRICS	10	0	0	10	0	(10)	10	0	
6618	7	TOWN HALL MAJOR REPAIRS - INTERNAL DECORATIONS	15	0	0	15	0	(15)	15	0	Awaiting further guidance following condition survey by PCC
6619	8	TOWN HALL MAJOR REPAIRS - HEALTH & SAFETY	10	0	0	10	0	(10)	10	0	
6620	9	TOWN HALL MAJOR REPAIRS - ADAPTIONS	15	0	0	15	2	(13)	15	0	
6622	10	TOWN HALL PASSENGER LIFT - MAJOR REFURBISHMENT / RENEWAL	0	75	0	75	0	(75)	75	0	Works underway, completion due September 2017
6621	11	FINANCIAL MANAGEMENT SYSTEM V.5 UPGRADE	70	(31)	0	39	3	(36)	39	0	Go live scheduled February 2018
			245	99	0	344	(2)	(346)	367	23	
			7,359	2,285	9	9,653	468	(9,185)	9,736	83	

CUMULATIVE WRITE OFFS UNDER DELEGATED AUTHORITY		
	2016/17	2017/18
	£	to 30 June
	£	£
Council Tax	33,775	-
NNDR	123,344	-
Housing Rents	HRA	-
	GF	-
	13,258	-
	43,020	-
Sundry Debtors	2,112	-
Housing Benefits	27,709	-
TOTALS	243,218	0